

**CASS DISTRICT LIBRARY**

**FINANCIAL STATEMENTS WITH  
SUPPLEMENTAL INFORMATION**

**For the Year Ended December 31, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name CASS DISTRICT LIBRARY		County Cass	
Fiscal Year End DECEMBER 31, 2006		Opinion Date JANUARY 26, 2007		Date Audit Report Submitted to State FEBRUARY 2, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

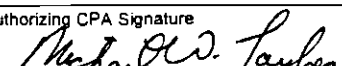
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO** Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) SCHAFFER & LAYHER, PLLC			Telephone Number 269-983-0131	
Street Address 805 VAN BRUNT AVENUE			City ST. JOSEPH	State MI
			Zip 49085	
Authorizing CPA Signature 		Printed Name MICHAEL W. LAYHER		License Number 21500

### **LIBRARY BOARD MEMBERS**

<u>Office</u>	<u>Official</u>	<u>Appointed by:</u>	<u>From:</u>	<u>Term Expires:</u>
President	Eileen Adams	Howard Township	Howard Township	12/31/2009
Vice President	Grafton Cook	County of Cass	Pokagon, Milton & Jefferson Twps.	12/31/2007
Treasurer	Hank Yeomans	County of Cass	At Large	12/31/2008
Trustee	Mary Anne Hoebeke	Village of Edwardsburg	Village of Edwardsburg	12/31/2007
Trustee	Sue Toth	Mason Township	Mason Township	12/31/2009
Trustee	Mary Dunn	LaGrange Township	LaGrange Township	12/31/2008
Trustee	Robert Mette	County of Cass	Ontwa, Calvin & Porter Twps.	12/31/2006
Trustee	Ronald Francis	County of Cass	Volinia, Penn, & Newberg Twps.	12/31/2008

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### **EXECUTIVE DIRECTOR**

Jennifer Ray

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Cass District Library

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cass District Library as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Cass District Library as of December 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and budgetary comparison information on pages 2 through 4 and page 16, are not a required part of the basic financial statements, but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Schaffer &amp; Layher".

Schaffer & Layher  
January 26, 2007

David Schaffer, CPA  
Michael Layher, CPA  
*Founding Partners:*  
Morris McMurray, CPA  
Raymond Marks, CPA  
Jeff Edmunds, CPA

As management of the Cass District Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the year ended December 31, 2006.

### **FINANCIAL HIGHLIGHTS**

- ✓ The assets of the library exceeded its liabilities at the close of the most recent year by \$401,627, and of this amount, \$196,458 is unrestricted and may be used to meet the Library's ongoing obligations to citizens and creditors.
- ✓ The library's total net assets increased (decreased) by \$50,920 and (\$167,856) for 2006 and 2005, respectively.
- ✓ As of the close of the current year, the Library's governmental fund reported an ending fund balance of \$204,849. For this year revenues exceeded expenditures by \$47,545. All is available for spending, with some board designations that can be changed.
- ✓ Unreserved fund balance for the general fund was \$204,849 or 22.66% and \$157,304 or 16.22% of the total general fund expenditures for 2006 and 2005, respectively.

### **OVERVIEW OF FINANCIAL STATEMENT**

This annual report consists of three parts – *management's discussion and analysis (this section)*, *the basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the library:

- The first column of the financial statement includes information on the Library's general fund under the modified accrual method. The *fund financial statements* focus on the current financial resources and provide a more detailed view about the accountability of the library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *library as whole financial statement* column provides both *long-term* and *short-term* information about the Library's overall financial status. The statement of net assets and the statement of net activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve overtime as a useful indicator of the government's financial position. In the case of the library, assets exceeded liabilities by \$401,627 at the close of the most recent year. The largest portion of the Library's net assets are reflected in its investment in capital assets, less any related debt used to acquire those assets. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The following table compares key financial information in a condensed format:

	<u>2006</u>	<u>2005</u>
Current Assets	\$ 988,699	\$ 928,352
Capital Assets, net	<u>234,066</u>	<u>258,581</u>
Total Assets	<u>\$ 1,222,765</u>	<u>\$ 1,186,933</u>
Long-Term Debt	\$ 21,025	\$ 50,797
Other Liabilities	<u>800,113</u>	<u>785,429</u>
Total Liabilities	<u>\$ 821,138</u>	<u>\$ 836,226</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 205,169	\$ 199,494
Unrestricted	<u>196,458</u>	<u>151,213</u>
Total Net Assets	<u><u>\$ 401,627</u></u>	<u><u>\$ 350,707</u></u>
Revenues:		
Taxes	\$ 712,429	\$ 688,209
Other	<u>239,241</u>	<u>235,461</u>
Total Revenues	\$ 951,670	\$ 923,670
Expenses-Library services	<u>900,750</u>	<u>1,091,526</u>
Change in Net Assets	<u><u>\$ 50,920</u></u>	<u><u>\$ (167,856)</u></u>

The unrestricted net assets of \$196,458 may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current year, the Library is able to report positive balances in both categories of net assets for its governmental activities.

The Library's net assets show an increase of \$35,020, mostly from decreased depreciation costs and automation costs, as well as, slight decreases in employee benefits.

The Library's governmental revenues increased by \$2,300 and expenses decreased by \$65,354 during the year.

**GOVERNMENTAL FUND ANALYSIS**

As noted earlier, the library uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Fund.** The focus of the Library's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Library's governmental fund reported ending fund balance of \$204,849, an increase of \$47,545. All of the fund balance constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The general fund is the only operating fund of the Library.

**LIBRARY BUDGETARY HIGHLIGHTS**

The following significant differences between the original budget and the final amended budget are as follows:

Final budgeted revenues increased over original by \$6,837 as penal fines and other local dollars came in higher than expected.

Final budgeted expenses decreased over original by \$29,197 attributable to lower employee benefits and capital expenditures than original expected.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

During current year, the Library invested in capital assets for its governmental activities of \$2,529 (before depreciation). This investment includes capital assets, including library books, audio, buildings, furniture, and computer equipment. The Library expects that additions for 2007 will be the same or slightly lower than 2006.

**LONG-TERM DEBT**

At December 31, 2006, the Library had total debt outstanding of \$37,288. This consisted of \$28,897 owed on a note and \$8,391 of accrued vacation, with no new debt incurred during the year. The Library did pay an additional \$20,000 of principal during the current year.

**ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES**

The Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and financially prudent budget for the 2007 calendar year that will promote several of the Library's activities and programs.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Cass District Library, 319 M-62; Cassopolis, Michigan 49031.

**CASS DISTRICT LIBRARY****Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities  
December 31, 2006**

	<i>General Fund</i> Balance Sheet- Modified <u>Accrual</u>		<i>Library as a</i> <i>Whole</i> Statement of Net Assets- <u>Full Accrual</u>
		Adjustments (Note 2)	
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 59,578	\$ -	\$ 59,578
Investments (Note 3)	164,321	-	164,321
Receivables (Note 12)	764,800	-	764,800
Capital Assets-Net of Accumulated Depreciation (Note 5)	-	234,066	234,066
<b>Total Assets</b>	<b>\$ 988,699</b>	<b>\$ 234,066</b>	<b>\$ 1,222,765</b>
<b>Liabilities and Fund Balance/Net Assets</b>			
<b>Liabilities</b>			
Accounts Payable (Note 12)	\$ 17,135	\$ -	\$ 17,135
Accrued Payroll and Liabilities	17,815	-	17,815
Deferred Revenue	748,900	-	748,900
Long-Term Debt, current portion	-	16,263	16,263
Total Current Liabilities	\$ 783,850	\$ 16,263	\$ 800,113
Long-Term Debt, net of current portion	-	21,025	21,025
<b>Total Liabilities</b>	<b>\$ 783,850</b>	<b>\$ 37,288</b>	<b>\$ 821,138</b>
<b>Fund Balance/Net Assets</b>			
Unreserved Fund Balance:			
Designated for vacation accrual	\$ 14,934	\$ (14,934)	\$ -
Designated for technology	16,000	(16,000)	-
Designated for capital improvements by (County)	10,000	(10,000)	-
Designated for main library	15,000	(15,000)	-
Undesignated	148,915	(148,915)	-
Total Fund Balance	\$ 204,849	\$ (204,849)	\$ -
<b>Total Liabilities and Fund Balance</b>	<b>\$ 988,699</b>	<b>\$ (167,561)</b>	
<b>Net Assets</b>			
Invested in Capital Assets-Net of Debt		\$ 205,169	\$ 205,169
Unrestricted		196,458	196,458
<b>Total Net Assets</b>		<b>\$ 401,627</b>	<b>\$ 401,627</b>

**CASS DISTRICT LIBRARY****Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities  
December 31, 2006**

	<i>General Fund Revenues and Expenditures- Modified Accrual</i>	<i>Adjustments (Note 2)</i>	<i>Library as a Whole Statement of Activities- Full Accrual</i>
<b>Revenues:</b>			
Taxes	\$ 712,429	\$ -	\$ 712,429
State Sources	28,323	-	28,323
Penal Fines	151,783	-	151,783
Fees and Book Fines	3,132	-	3,132
Investment Income	14,085	-	14,085
Local Contributions and Other	41,918	-	41,918
	<u>\$ 951,670</u>	<u>\$ -</u>	<u>\$ 951,670</u>
<b>Expenditures:</b>			
Salaries	\$ 408,735	\$ 2,300	\$ 411,035
Payroll taxes	29,719	-	29,719
Employee benefits	94,946	-	94,946
Staff training	3,258	-	3,258
Office supplies	17,423	-	17,423
Audiovisual, books, and periodicals	101,951	-	101,951
Professional fees	12,470	-	12,470
Contractual services	38,354	-	38,354
Membership and recruitment	8,606	-	8,606
Internet service	13,246	-	13,246
Insurance	13,846	-	13,846
Processing costs	9,110	-	9,110
Travel	3,614	-	3,614
Programs	10,835	-	10,835
Utilities	52,661	-	52,661
Repairs and maintenance	27,720	-	27,720
Miscellaneous	1,044	-	1,044
Automation	10,495	-	10,495
Principal payments	30,190	(30,190)	-
Interest payments	4,041	-	4,041
Depreciation	-	27,044	27,044
Capital expenditures	11,861	(2,529)	9,332
Total expenditures	<u>\$ 904,125</u>	<u>\$ (3,375)</u>	<u>\$ 900,750</u>
<b>Excess of revenues over expenditures</b>	<u>\$ 47,545</u>	<u>\$ 3,375</u>	<u>\$ 50,920</u>
<b>Fund Balance/Net Assets-Beginning of Year</b>	<u>157,304</u>		<u>350,707</u>
<b>Fund Balance/Net Assets-End of Year</b>	<u>\$ 204,849</u>		<u>\$ 401,627</u>

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Cass District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

The Library has implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* ("GASB 34"). The Statements include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- 
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- 
- A change in the fund financial statements to focus on the major funds.

**Reporting Entity**

The Library is located in the Village of Cassopolis, Michigan and is governed by an eight (8) member board. The Library is primarily funded through a tax levy, fines, fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships. The Library is a District Library formed pursuant to the District Library Establishment Act (1989 Public Act 24) by an agreement between the Townships of LaGrange, Howard, Mason, the Village of Edwardsburg, and the County of Cass. Based on the significance of any operational or financial relations with the Library, there are no component units to be included in these financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****Government-wide Financial Statements, Continued**

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets-net of related debt; restricted net assets; and unrestricted net assets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following major governmental funds:

The **General Fund** is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

**Assets, Liabilities, and Net Assets or Equity**

**Capital Assets** – Capital assets are defined by the Library as assets with an estimated useful life in excess of one year and exceed \$2,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED****Assets, Liabilities, and Net Assets or Equity, Concluded****Capital Assets, Concluded**

Building improvements, furniture and fixtures, equipment, and library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Buildings	20 – 50 years
Building improvement	10 – 20 years
Furniture and fixtures	5 – 10 years
Library books, periodicals, etc.	10 years
Equipment	5 – 10 years

**Compensated Absences (Vacation and Sick Leave)** – It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Property Taxes** – Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year, at which time the Library recognizes the levy. These taxes are due on February 15 with the final collection date of February 28. Starting March 1, they are added to the county tax rolls.

**NOTE 2. RECONCILIATION OF GOVERNMENT – WIDE AND FUND FINANCIAL STATEMENTS**

Total fund balances and the net change in fund balances of the Library's governmental funds differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The following is a reconciliation of fund balance to net assets and net change in fund balances to the net change in net assets:

**NOTE 2. RECONCILIATION OF GOVERNMENT – WIDE AND FUND FINANCIAL STATEMENTS, CONCLUDED***Adjustments for Balance sheet to Statement of Net Assets:*

<b>Total Fund Balance-Modified Accrual Basis</b>	\$ 204,849
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	234,066
Long-term liabilities are not due and payable in the current period and are not reported as a liability	(28,897)
Compensated absences are included as a liability	(8,391)
<b>Total Net Assets-Full Accrual Basis</b>	<u>\$ 401,627</u>

*Adjustments for Statement of Revenues and Expenses to Statement of Activities:*

<b>Net Change in Fund Balance-Modified Accrual Basis</b>	\$ 47,545
Amounts reported in the statement of net assets are different because:	
Capital outlay is not an expense of the current period	2,529
Capital costs are allocated over their estimated useful lives as depreciation	(27,044)
Change in the accrual for long-term compensated absences reported as an expenditure in the statement of activities but not in the fund statements	(2,300)
Repayments of note principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	30,190
<b>Change in Net Assets of Governmental Activities</b>	<u>\$ 50,920</u>

**NOTE 3. DEPOSITS AND INVESTMENTS**

At December 31, 2006, the Libraries deposits and investments include the following:

	Cash and Cash Equivalents	Investments
Cash on hand	\$ 450	\$ -
Bank deposits	59,128	-
Investments	-	164,321
Total	<u>\$ 59,578</u>	<u>\$ 164,321</u>

**Bank Deposits** – All cash of the Library in on deposit with financial institutions which provide FDIC insurance coverage.

**Custodial Credit Risk-Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2006, none of the Library's bank balance was exposed to custodial risk because it was uninsured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name. The Library does not have a deposit policy for custodial credit risk.

**Investments** – The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

	Fair Value	Current Value	Investment Maturities		
			1-5 Years	6-10 Years	More than 10
Money Market Funds	<u>\$164,321</u>	<u>\$ 164,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Library does not have a policy for interest rate, credit, concentration of credit, or custodial risk relating to investments.

**Foreign Currency Risk:** The Library is not authorized to invest in investments, which have this type of risk.

**NOTE 4. BUDGET INFORMATION**

The annual budget is prepared by the Library Director and adopted by the Library Board of Trustees; subsequent amendments are approved by the Library Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. There were no encumbrances outstanding at December 31, 2006. During the current year, the budget was amended in a legally permissible manner. The budget statement (statement of revenue, expenditures and changes in fund balance – budget and actual) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of the actual results of operations of the General Fund budget, as adopted by the Library Board, is available at the Library for inspection.

**NOTE 4. BUDGET INFORMATION, CONCLUDED**

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Library incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	Amended <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Employee benefits	\$ 92,700	\$ 94,946	\$ (2,246)
Audiovisual, books, and periodicals	101,250	101,951	(701)
Professional fees	12,000	12,470	(470)
Internet service	12,000	13,246	(1,246)
Programs	10,600	10,835	(235)
Repairs and maintenance	27,000	27,720	(720)
Miscellaneous	560	1,044	(484)
Automation	8,500	10,495	(1,995)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Library.

Fund Deficits—The Library has no accumulated fund balance deficits in their reported funds.

**NOTE 5. CAPITAL ASSETS**

Capital asset activity of the Library's governmental activities was as follows:

	Balance <u>1/1/2006</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>at 12/31/06</u>
<b><u>Assets not being depreciated:</u></b>				
Land	\$ 13,207	\$ -	\$ -	\$ 13,207
<b><u>Depreciable capital assets:</u></b>				
Building and improvements	\$ 151,291	\$ -	\$ -	\$ 151,291
Furniture and fixtures	40,501	2,529	-	43,030
Equipment	90,990	-	-	90,990
Books, audiovisual, periodicals	1,686,012	-	-	1,686,012
Subtotal	\$ 1,968,794	\$ 2,529	\$ -	\$ 1,971,323
Less: Accumulated Depreciation	(1,723,420)	(27,044)	-	(1,750,464)
<b>Net depreciable capital assets</b>	<u>\$ 245,374</u>			<u>\$ 220,859</u>
<b>Net capital assets</b>	<u>\$ 258,581</u>			<u>\$ 234,066</u>

Capital assets, including library books, are recorded at cost. Depreciation expense was \$27,044 for the year ended December 31, 2006.

**NOTE 6. LONG-TERM DEBT**

Long-term debt is comprised of the following at December 31, 2006:

	Interest <u>Rate</u>	Principal <u>Matures</u>	Beginning <u>Balance</u>	Additions <u>(Reductions)</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Note Payable	6.80%	9/1/2015	\$ 59,087	\$ (30,190)	\$28,897	\$ 7,872
Accrued Vacation	n/a	n/a	6,091	2,300	8,391	8,391
			<u>\$ 65,178</u>	<u>\$ (27,890)</u>	<u>\$37,288</u>	<u>\$ 16,263</u>

Annual debt service requirements to maturity for the above obligations (excluding accrued vacation) are as follows:

Year Ended <u>December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 12,204	\$ 2,027	\$ 14,231
2007	13,060	1,171	14,231
2008	3,633	254	3,887
	<u>\$ 28,897</u>	<u>\$ 3,452</u>	<u>\$ 32,349</u>

Interest expense for the year ended December 31, 2006 amounted to \$4,041.

**NOTE 7. LEASES**

Operating Leases-The Library leases equipment under noncancellable operating leases. Total costs for such leases were \$16,656 for the current year, included with contractual services. The future minimum lease payments for these leases are as follows:

2007	<u>\$9,427</u>
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In addition, the Library leases its main facility, located in Cassopolis, from the County of Cass for an annual cost of \$1 plus maintenance and repairs. Under the terms of the lease agreement, the Library was required to pay \$0 for 2006 to the County Treasurer to fund the replacement of capital items, but has designated \$15,000 of their net assets for this purpose. (See Note 11.)

**NOTE 8. RISK MANAGEMENT**

The Library is exposed to various risks of loss related to property loss, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library obtains general liability insurance to cover those risks at a cost it considers to be economically justifiable.

**NOTE 9. DEFINED BENEFIT PENSION PLAN****Plan Description**

The Library participates in an agent, multiple-employer defined benefit pension plan Municipal Employees' Retirement System of Michigan (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty and duty death allowances, and post retirement adjustments to plan members and their beneficiaries. The most recent period for which actuarial data was available was for the year ended December 31, 2005.

MERS was organized pursuant to Section 12a of Act 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly-available financial report that includes financial statements and required supplemental information for the retirement system. That report may be obtained by writing to Municipal Employees Retirement System of Michigan, 447 Canal Road, Lansing, MI 48917-9755.

**Funding Policy**

MERS members are required to contribute an amount varying from 0.0% to 10.0%, depending upon which plan they fall under. The Library is required to contribute at an actuarially-determined rate; the current rate is 0.0% to 21.08% of annual covered payroll, depending on the plan. The contribution requirements of plan members and the commission are established and may be amended by the MERS.

**Annual Pension Cost**

For the year ended December 31, 2006, the Library contributions were zero (0), which was made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined using the entry actual age cost method. Significant actuarial assumptions used included (a) 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent, attributable to inflation, and (c) 0 to 4.2 percent per year attributable to merit and longevity. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over a 30-year period.

**NOTE 9. DEFINED BENEFIT PENSION PLAN, CONCLUDED**

Three year trend information:

	For the year ended December 31:		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Annual pension cost ("APC")	\$ -	\$ -	\$ -
Percentage of APC contributed	-	-	-
Net pension obligation	-	-	-
Actuarial value of assets	\$ 615,738	\$ 632,588	\$ 649,198
Actuarial Accrued Liability ("AAL")(entry age)	399,699	393,656	435,987
Unfunded(Overfunded) AAL	(216,039)	(238,932)	(213,211)
Funded ratio	154.05%	160.70%	148.90%
Covered payroll	291,795	277,667	326,174
UAAL as a percentage of covered payroll	74.04%	86.05%	65.37%

**NOTE 10. FUNDS HELD BY THE MICHIGAN GATEWAY COMMUNITY FOUNDATION**

The Library is the beneficiary of endowment funds at the Michigan Gateway Community Foundation that are considered permanent endowments to benefit the Library. The endowments are within the Foundation and not part of the Library's General Fund. Investment earnings are reinvested into the endowment. The amount of the endowment funds held at Michigan Gateway Community Foundation in the Cass District Library Fund approximates \$1,054.

During the year, the Library did not withdraw past earnings on principal from the endowment funds held at the Michigan Gateway Community Foundation.

**NOTE 11. DESIGNATED FUND BALANCE**

Fund balance has been designated by the Board for the following purposes:

Vacation accrual	\$ 14,934
Technology	16,000
Capital improvements	10,000
Main library	15,000
	<u>\$ 55,934</u>

**NOTE 12. RECEIVABLE AND PAYABLES**

Receivables as of December 31, 2006 for the Township's general fund consisted of \$764,800 (\$748,900 of taxes receivable for next years levy and \$15,900 of grant money.)

Payables as of December 31, 2006 for the Township's general fund consisted of \$17,135 of normal trade payables.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**Required Supplemental Information**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended December 31, 2006**

	Originally Adopted Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 710,169	\$ 712,500	\$ 712,429	\$ (71)
State Sources	30,000	28,323	28,323	-
Penal Fines	150,000	151,783	151,783	-
Fees and Book Fines	3,500	3,500	3,132	(368)
Investment Income	6,000	12,000	14,085	2,085
Local Contributions and Other	46,200	44,600	41,918	(2,682)
	<u>\$ 945,869</u>	<u>\$ 952,706</u>	<u>\$ 951,670</u>	<u>\$ (1,036)</u>
<b>Expenditures:</b>				
Salaries	\$ 403,760	\$ 410,000	\$ 408,735	\$ 1,265
Payroll taxes	30,888	31,365	29,719	1,646
Employee benefits	104,260	92,700	94,946	(2,246)
Staff training	5,610	3,500	3,258	242
Office supplies	16,700	18,000	17,423	577
Audiovisual, books, and periodicals	90,000	101,250	101,951	(701)
Professional fees	16,600	12,000	12,470	(470)
Contractual services	42,000	41,000	38,354	2,646
Membership and recruitment	10,000	10,225	8,606	1,619
Internet service	13,000	12,000	13,246	(1,246)
Insurance	15,000	14,000	13,846	154
Processing costs	8,600	9,200	9,110	90
Travel	6,500	4,500	3,614	886
Programs	9,700	10,600	10,835	(235)
Utilities	62,000	54,000	52,661	1,339
Repairs and maintenance	20,600	27,000	27,720	(720)
Miscellaneous	560	560	1,044	(484)
Automation	43,819	8,500	10,495	(1,995)
Debt payments	14,231	34,231	34,231	-
Capital expenditures	42,500	32,500	11,861	20,639
Total expenditures	<u>\$ 956,328</u>	<u>\$ 927,131</u>	<u>\$ 904,125</u>	<u>\$ 23,006</u>
<b>Excess of revenues over expenditures</b>	<u>\$ (10,459)</u>	<u>\$ 25,575</u>	<u>\$ 47,545</u>	<u>\$ 21,970</u>
<b>Fund Balance-Beginning of Year</b>	<u>157,304</u>	<u>157,304</u>	<u>157,304</u>	<u>-</u>
<b>Fund Balance-End of Year</b>	<u><u>\$ 146,845</u></u>	<u><u>\$ 182,879</u></u>	<u><u>\$ 204,849</u></u>	<u><u>\$ 21,970</u></u>